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Zhengzhou Coal Mining Machinery Group Company Limited
鄭州煤礦機械集團股份有限公司

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock code: 00564)

ANNOUNCEMENT

**(1) PROPOSED ADOPTION OF THE 2021 RESTRICTED SHARE
INCENTIVE SCHEME (DRAFT)
AND
(2) CONNECTED TRANSACTION**

**PROPOSED ADOPTION OF THE 2021 RESTRICTED SHARE INCENTIVE
SCHEME (DRAFT)**

The board of directors (the “**Board**”) of Zhengzhou Coal Mining Machinery Group Company Limited (the “**Company**”) is pleased to announce that on 17 April 2021, the Board resolved on the proposed adoption of the 2021 Restricted Share Incentive Scheme (Draft), subject to consideration and approval by the Shareholders at the Annual General Meeting, the A Shareholders Class Meeting and the H Shareholders Class Meeting of the Company.

IMPLICATIONS OF THE LISTING RULES

The 2021 Restricted Share Incentive Scheme does not constitute a share option scheme under Chapter 17 of the Listing Rules. Given that the Restricted Shares are to be granted to the connected persons of the Company under the 2021 Restricted Share Incentive Scheme, the Scheme constitutes a non-exempt connected transaction of the Company, which is subject to the reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules. The Company will establish an Independent Board Committee to offer its view to independent Shareholders in relation to the grant of the Restricted Shares to the Participants that are connected persons of the Company. The Company will also appoint an independent financial advisor to advise the Independent Board Committee and independent Shareholders on the grant of the Restricted Shares to the Participants that are connected persons of the Company.

SHAREHOLDERS' GENERAL MEETING, CLASS MEETINGS AND CIRCULAR

The Company will convene its Annual General Meeting, A Shareholders Class Meeting and H Shareholders Class Meeting, for the Shareholders to consider and, if thought fit, to approve (amongst others) the proposed adoption of the 2021 Restricted Share Incentive Scheme and the grant of the Restricted Shares to the connected persons of the Company. The Company plans to convene its Annual General Meeting in June 2021. Upon determination of the dates of convening the Annual General Meeting and the class meetings, a circular containing (amongst others) (i) the terms of the 2021 Restricted Share Incentive Scheme; (ii) a letter from the independent financial advisor to the Independent Board Committee and independent Shareholders of the Company, which contains the views of the independent financial advisor regarding the Company's proposed plan of granting the Restricted Shares to the Participants that are connected persons; (iii) the recommendations by the Independent Board Committee regarding whether to approve the proposed plan of granting the Restricted Shares to the Participants that are connected persons; and (iv) the notices of the Annual General Meeting and the H Shareholders Class Meeting of the Company, will be despatched to the Shareholders as soon as practicable.

PROPOSED ADOPTION OF THE 2021 RESTRICTED SHARE INCENTIVE SCHEME (DRAFT)

The Board is pleased to announce that on 17 April 2021, the Board resolved on the proposed adoption of the 2021 Restricted Share Incentive Scheme (Draft), subject to consideration and approval by the Shareholders at the Annual General Meeting, the A Shareholders Class Meeting and the H Shareholders Class Meeting of the Company. A summary of the main content of the 2021 Restricted Share Incentive Scheme is set forth as follows:

I. PURPOSE OF THE SCHEME

To further improve its corporate governance structure and incentive mechanism, enhance the sense of responsibility and mission of its senior management for achieving sustainable and sound development and ensure the realisation of its development goals, the Company has prepared the Scheme pursuant to relevant laws, regulations and administrative and regulatory documents such as the Company Law, the Securities Law and the Administrative Measures as well as the relevant provisions of the Articles of Association.

The Scheme, prepared by the Remuneration and Assessment Committee of the Board of the Company, has been submitted to the Board of the Company for consideration and approval, and will take effect upon approval at the shareholders' general meeting of the Company.

The Scheme is prepared in the following basic principles:

1. Fairness and legitimacy: The Scheme shall be fair, just and open, and in line with laws, regulations, administrative and regulatory documents and the relevant provisions of the Articles of Association.
2. Increment oriented: The number and proportion of the Restricted Shares shall be determined reasonably on the premise of performance increment for incentives.
3. Effective incentives: The Unlocking Conditions of the Restricted Shares are pegged to the Company's attainment of performance targets, and the equity incentives granted to individuals are pegged to the value contribution of employees and the results of individual assessment.
4. Long-term service: Long-term service is encouraged amongst core talents to realise long-term stability of the Company's core talents and operational performance.
5. Interest alignment: The interests of employees, the Company and Shareholders are closely connected and highly aligned, with risks borne by all.
6. Enhanced supervision: The domestic and foreign accounting firms engaged by the Company shall audit the performance and receive supervision from securities regulatory institutions, Shareholders and the Board of Supervisors in accordance with laws and regulations.

II. BASIS FOR DETERMINING AND SCOPE OF THE PARTICIPANTS

BASIS FOR DETERMINING THE PARTICIPANTS

1. Legal basis for determining the Participants

The Participants of the Scheme are determined in accordance with relevant laws, regulations and administrative and regulatory documents such as the Company Law, the Securities Law, the Administrative Measures as well as the relevant provisions of the Articles of Association, taking into account the actual situation of the Company.

2. Basis for determining the positions of the Participants

The Participants of the Scheme comprise the Directors, senior management, core management and core personnel of the listed company (including the core personnel for research and development, sales and management), excluding independent Directors and Supervisors.

SCOPE OF THE PARTICIPANTS

There are 186 Participants involved in the Scheme in total, the coverage of which includes:

1. Directors and senior management of the Company;
2. Core management and core personnel of the Company's headquarters and relevant business segments (including core personnel for research and development, sales and management).

In respect of the abovementioned Participants, any such Directors and senior management must have been elected at the general meeting of the Company or appointed by the Board of the Company. The Participants exclude independent Directors, Supervisors and any Shareholders or actual controllers individually or jointly holding more than 5% of the Shares of the Company and their respective spouses, parents and children. All the Participants shall be employed by and have entered into labour or employment contracts with the Company or its subsidiaries upon the grant of the Restricted Shares and during the performance evaluation period of the Scheme.

A person shall not qualify as a Participant of the Scheme under any of the following circumstances:

- (1) he/she has been declared an inappropriate candidate by the stock exchange in the past 12 months;
- (2) he/she has been declared an inappropriate candidate by the CSRC and its local bureaus in the past 12 months;
- (3) he/she has been imposed with administrative penalties or prohibited from market entry by the CSRC and its local bureaus in the past 12 months due to material violations of laws and regulations;
- (4) he/she has been prohibited from serving as a Director or a member of the senior management of the Company under the Company Law;
- (5) participation in the equity incentives of listed companies is prohibited by laws and regulations; and
- (6) other circumstances as determined by the CSRC.

VERIFICATION OF THE PARTICIPANTS

- (1) After the Scheme is considered and approved by the Board, the Company shall publish the names and positions of the Participants internally for a period of no less than 10 days.
- (2) The Company shall carry out self-inquiry on the trading of Shares and their derivatives of the Company by insiders during the six-month period prior to the announcement of the Draft Scheme, to examine whether the behaviour of insider trading exists. Those who trade the Shares of the Company with inside information shall not qualify as the Participants, except for circumstances that do not fall within insider trading under laws, administrative regulations and relevant judicial interpretations. Those who leak inside information which results in insider trading shall not qualify as the Participants.
- (3) The Board of Supervisors of the Company shall review the list of Participants, thoroughly solicit public opinion, and disclose its explanation on the review and release of the list of the Participants 5 days before the Scheme is considered at the general meeting of the Company. The list of the Participants adjusted by the Board of the Company shall also be verified by its Board of Supervisors of the Company.

III. SOURCE, NUMBER AND DISTRIBUTION OF THE RESTRICTED SHARES

SOURCE OF THE RESTRICTED SHARES

The Shares of the Scheme shall come from the ordinary A Shares in RMB to be directly issued by the listed company to the Participants.

NUMBER OF UNDERLYING SHARES UNDER THE SCHEME

The number of the Restricted Shares proposed to be granted to the Participants under the Scheme is 42,300,000, amounting to 2.442% of the total share capital of the Company as at the date of announcement of the Scheme. The grant is a one-off grant without reserved interests.

The total number of Shares of the Company granted to any Participant under the Scheme within the validity periods of all equity incentive schemes of the Company shall in aggregate not exceed 1% of the Company's total share capital and 1% of the total issued A Share capital at the date on which the Scheme is considered and approved at the general meeting. The total number of A Shares to be granted within the validity periods of all equity incentive schemes of the Company shall not exceed 10% of the Company's total share capital and the total issued A Share capital of the Company at the date on which the Scheme is considered and approved at the general meeting.

DISTRIBUTION OF THE RESTRICTED SHARES GRANTED UNDER THE SCHEME

Below sets out the distribution of the Restricted Shares granted under the Scheme among the Participants:

Name	Position(s)	Number of Restricted Shares granted (0'000)	Percentage of the Number of Restricted Shares under this Grant	Percentage of the Existing Total Share Capital of the Company
JIAO Chengyao	Chairman	300	7.09%	0.17%
XIANG Jiayu	Vice Chairman	200	4.73%	0.12%
JIA Hao	Director and General Manager	240	5.67%	0.14%
FU Zugang	Director	200	4.73%	0.12%
FU Qi	Deputy General Manager	70	1.65%	0.04%
ZHANG Haibin	Secretary to the Board	70	1.65%	0.04%
HUANG Hua	Chief Financial Officer	70	1.65%	0.04%
LI Weiping	Deputy General Manager	70	1.65%	0.04%
Core Management and Core Personnel of the Company's Headquarters and Relevant Business Segments (178 people in total)		3,010	71.16%	1.74%
Total		4,230	100.00%	2.44%

- Notes:*
1. Some figures shown as totals in the above table may not be an arithmetic sum of the figures preceding them due to rounding adjustments. The same applies to the following text.
 2. A detailed list of the Participants was disclosed by the Company in the Participants List of the 2021 Restricted Shares Incentive Scheme of Zhengzhou Coal Mining Machinery Group Company Limited on the website of the Shanghai Stock Exchange (www.sse.com.cn) on 19 April 2021.
 3. If the Participants do not comply with the conditions specified in the Administrative Measures during the implementation of the Scheme, their rights of participating in the Scheme shall be terminated and their Restricted Shares granted and locked up shall be repurchased and cancelled by the Company.

IV. VALIDITY PERIOD, DATE OF GRANT, LOCK-UP PERIOD, UNLOCKING ARRANGEMENT AND BLACKOUT PERIOD OF THE SCHEME

VALIDITY PERIOD OF THE SCHEME

The Validity Period of the Scheme shall be no more than 48 months from the date of the completion of the grant registration of the Restricted Shares to the date when all the Restricted Shares granted to the Participants are unlocked or repurchased and cancelled.

DATE OF GRANT OF THE SCHEME

The Date of Grant shall be determined by the Board subject to the consideration and approval of the Scheme at the general meeting, A Shareholders class meeting and H Shareholders class meeting of the Company. The Company shall grant the Restricted Shares and complete the relevant announcement and registration procedures within 60 days upon the considerations and approval at the general meeting, A Shareholders class meeting and H Shareholders class meeting and the fulfilment of conditions of grant. If the Company fails to complete the above procedures within 60 days, the Scheme will be terminated and the Restricted Shares to be granted shall lapse.

The Date of Grant must be a trading day, which is within the permitted period by the relevant rules governing the securities, and the Company shall not grant the Restricted Shares to the Participants within the following periods:

- (1) within 30 days prior to the publication of periodic reports of the Company, or in the event of a delay in publishing such reports due to special reasons, the period commencing from 30 days prior to the original date of publication and ending on the day preceding the publication date;
- (2) within 10 days prior to the publication of results forecast and preliminary results of the Company;
- (3) from the date of occurrence of Significant Events with a Material Impact on the trading prices of the Shares and their derivatives of the Company, or the date on which the decision-making procedures start, to two trading days after the disclosure thereof in accordance with law;
- (4) other periods as stipulated by the CSRC and the stock exchange.

The abovementioned period during which the Company is not allowed to grant the Restricted Shares is not included in the 60-day period. If the Directors and senior management of the Company, as the Participants, have reduced their holdings of the Shares within 6 months preceding the grant of the Restricted Shares, the grant of the Restricted Shares shall be postponed for 6 months from the date of the last reduction transaction in accordance with the provisions of the Securities Law on short-term trading.

LOCK-UP PERIOD AND UNLOCKING ARRANGEMENT OF THE SCHEME

1. *Lock-up Period*

The Lock-up Period of the Restricted Shares granted under the Scheme shall commence from the date on which the Restricted Shares are granted to the Participants with an interval of 12 months between the Date of Grant and the Unlocking Date. The Restricted Shares granted to the Participants under the Scheme shall not be transferred or used as guarantee or for repayment of debts before unlocking.

During the blackout period of the Restricted Shares, the Participants shall be entitled to cash dividends due to the Restricted Shares granted and the repurchase price shall be adjusted accordingly. The Shares obtained by them due to the Restricted Shares granted and arising from capitalisation of capital reserves, bonus issue and share subdivision shall be subject to lock-up simultaneously, and shall not be sold in the secondary market or otherwise transferred. The Unlocking Period of such Shares is the same as that of the Restricted Shares. If such Shares cannot be unlocked under the Scheme, they shall be repurchased and cancelled by the Company.

2. *Unlocking Arrangement*

Upon unlocking, the Company shall handle unlocking issues for the Participants that satisfy the Unlocking Conditions, whereas the Restricted Shares held by the Participants that do not satisfy the Unlocking Conditions shall be repurchased and cancelled by the Company.

The Unlocking Period and respective unlocking schedules for the Restricted Shares granted under the Scheme are set out in the table below:

Arrangement of Unlocking Period	Unlocking duration	Unlocking percentage
First Unlocking Period	Commencing from the first trading day upon the expiry of 12 months from the Date of Grant to the last trading day upon the expiry of 24 months from the Date of Grant	40%
Second Unlocking Period	Commencing from the first trading day upon the expiry of 24 months from the Date of Grant to the last trading day upon the expiry of 36 months from the Date of Grant	30%
Third Unlocking Period	Commencing from the first trading day upon the expiry of 36 months from the Date of Grant to the last trading day upon the expiry of 48 months from the Date of Grant	30%

BLACKOUT PERIOD OF THE SCHEME

The blackout period provisions under the Restricted Share Incentive Scheme shall be implemented in accordance with relevant laws, regulations and administrative and regulatory documents such as the Company Law and the Securities Law as well as the Articles of Association. Details are as follows:

1. where a Participant is a Director or a member of the senior management of the Company, the number of Shares that may be transferred each year during his or her term of office must not exceed 25% of the total number of Shares held by him or her in the Company. No Shares of the Company being held shall be transferred within six months after his or her termination of office.
2. where a Participant is a Director or a member of the senior management of the Company, those who leave office prior to the expiry of his or her term of office shall comply with the following restrictive provisions during his or her defined term of office and within six months after the expiry of his or her term of office:
 - (1) the number of Shares that may be transferred each year must not exceed 25% of the total number of Shares held by him or her in the Company;
 - (2) no Shares of the Company being held shall be transferred within six months after his or her termination of office;
 - (3) other requirements stipulated by laws, administrative regulations, departmental rules, administrative and regulatory documents and the rules of the stock exchange in relation to the transfer of shares by directors, supervisors and senior management of a listed company.
3. where a Participant is a Director or a member of the senior management of the Company, all gains from the sale of Shares of the Company within six months of acquisition or from the acquisition of Shares within six months of sale by the Participant shall be accounted to the Company and the Board of the Company will collect all such gains.
4. if, during the Validity Period of the Scheme, there is any amendment to the relevant requirements regarding the transfer of Shares held by the Directors and senior management of the Company under relevant laws, regulations and administrative and regulatory documents such as the Company Law and the Securities Law as well as the Articles of Association, the transfer of the Shares of the Company held by such Participants shall comply with the relevant amended laws, regulations and administrative and regulatory documents such as the Company Law and the Securities Law as well as the Articles of Association.

V. GRANT PRICE OF THE RESTRICTED SHARES AND MEASURES FOR DETERMINING THE GRANT PRICE

GRANT PRICE OF THE RESTRICTED SHARES GRANTED

The Grant Price of the Restricted Shares granted under the Scheme is RMB5.88 per Share. After meeting the conditions of grant, the Participants can purchase the ordinary A Shares directly issued to them by the Company at the price of RMB5.88 per Share.

MEASURES FOR DETERMINING THE GRANT PRICE

The Grant Price of the Restricted Shares granted under the Scheme shall not be less than the nominal value of the A Shares of the Company and the higher of the following items:

1. 50% of the average trading price of the Company's A Shares on the trading day immediately preceding the announcement date of the Draft Scheme (rounded up to the nearest two decimal places), which is RMB5.81 per Share;
2. 50% of the average trading price of the Company's A Shares for 20 trading days immediately preceding the announcement date of the Draft Scheme (rounded up to the nearest two decimal places), which is RMB5.88 per Share.

VI. GRANT OF RESTRICTED SHARES AND UNLOCKING CONDITIONS

CONDITIONS ON GRANT OF RESTRICTED SHARES

The following conditions must be simultaneously satisfied before Restricted Shares can be granted to the Participants by the Company, otherwise no Restricted Shares shall be granted if any of the following conditions of grant is not satisfied.

(I) None of the following circumstances has occurred to the Company:

- (1) a certified public accountant issues an audit report containing an adverse opinion or indicates the inability to give an opinion over the financial and accounting report for the most recent accounting year;
- (2) a certified public accountant issues an audit report containing an adverse opinion or indicates the inability to give an opinion over the internal control in the financial report for the most recent accounting year;

- (3) failure to conduct profit distribution in accordance with laws and regulations, the Articles of Association and public commitments in the past 36 months;
- (4) equity incentives shall not be given under laws and regulations; and
- (5) other circumstances as determined by the CSRC.

(II) None of the following circumstances has occurred to the Participant:

- (1) he/she has been declared an inappropriate candidate by the stock exchange in the past 12 months;
- (2) he/she has been declared an inappropriate candidate by the CSRC and its local bureaus in the past 12 months;
- (3) he/she has been imposed with administrative penalties or prohibited from market entry by the CSRC and its local bureaus in the past 12 months due to material violations of laws and regulations;
- (4) he/she has been prohibited from serving as a Director or a member of the senior management of the Company under the Company Law;
- (5) participation in the equity incentives of listed companies is prohibited by laws and regulations;
- (6) other circumstances as determined by the CSRC.

UNLOCKING CONDITIONS OF RESTRICTED SHARES

The following conditions must be simultaneously satisfied before Restricted Shares granted to the Participants can be unlocked within the Unlocking Period.

(I) None of the following circumstances has occurred to the Company:

- (1) a certified public accountant issues an audit report containing an adverse opinion or indicates the inability to give an opinion over the financial and accounting report for the most recent accounting year;
- (2) a certified public accountant issues an audit report containing an adverse opinion or indicates the inability to give an opinion over the internal control of the financial report for the most recent accounting year;

- (3) failure to conduct profit distribution in accordance with laws and regulations, the Articles of Association and public undertakings in the past 36 months;
- (4) equity incentives shall not be given under laws and regulations;
- (5) other circumstances as determined by the CSRC.

Where any of the above circumstances occurs, all Restricted Shares which were granted to Participants under the Scheme but not yet unlocked shall be repurchased and cancelled by the Company.

(II) None of the following circumstances has occurred to the Participant:

- (1) he/she has been declared an inappropriate candidate by the stock exchange in the past 12 months;
- (2) he/she has been declared an inappropriate candidate by the CSRC and its local bureaus in the past 12 months;
- (3) he/she has been imposed with administrative penalties or prohibited from market entry by the CSRC and its local bureaus in the past 12 months due to material violations of laws and regulations;
- (4) he/she has been prohibited from serving as a Director or a member of the senior management of the Company under the Company Law;
- (5) participation in the equity incentives of listed companies is prohibited by laws and regulations;
- (6) other circumstances as determined by the CSRC.

Where any of the above circumstances occurs to the Participants, the Restricted Shares which were granted to them under the Scheme but not yet unlocked shall be repurchased and cancelled by the Company.

(III) Performance evaluation requirements for the Company

The evaluation period for unlocking the Restricted Shares under the Scheme shall be from 2021-2023, during which evaluation shall be conducted for each Unlocking Period. The performance targets for each Unlocking Period are listed in the table below:

Unlocking Period	Performance Indicator
First Unlocking Period	With net profit attributable to the parent for 2020 as benchmark, the growth rate of net profit attributable to the parent for 2021 shall be no less than 30% as compared with that for 2020
Second Unlocking Period	With net profit attributable to the parent for 2020 as benchmark, the growth rate of net profit attributable to the parent for 2022 shall be no less than 60% as compared with that for 2020
Third Unlocking Period	With net profit attributable to the parent for 2020 as benchmark, the growth rate of net profit attributable to the parent for 2023 shall be no less than 90% as compared with that for 2020

Note: The above-mentioned “net profit attributable to the parent” represents net profit attributable to owners of the parent company, which was calculated on the basis of the data set out in the combined statements audited by the accounting firm engaged by the Company.

Where the Company fails to meet the performance evaluation targets above, all Restricted Shares held by Participants which could be unlocked in the corresponding year of evaluation shall not be unlocked and shall be repurchased and cancelled by the Company.

(IV) Individual performance evaluation requirement for Participants

The Company will evaluate the individual performance of the Participants annually based on the Performance Evaluation Measures approved at the general meeting and the Company’s relevant performance evaluation measures, and part of the Restricted Shares could be unlocked for the current period. Reference will be made to the Participant’s individual performance evaluation result for the previous year as the prerequisite. The Participant shall in principle reach a “Pass” or above in the performance evaluation.

Evaluation Result	Merit (80≤marks≤100)	Pass (60≤marks<80)	Fail (marks<60)
Coefficient of Unlockable Ratio	1.0	0.8	0

Individual unlockable limit for the current year = individual planned unlocking limit for the current year × individual coefficient of unlockable ratio for the current year

- (V) If the performance has not reached the required standard either at the Company's level or the Participant's level leading to the failure to meet the Unlocking Conditions for the current period, the relevant Restricted Shares cannot be unlocked or deferred to the next Unlocking Period and shall be repurchased and cancelled by the Company.***

EXPLANATION OF THE SCIENTIFIC BASIS AND RATIONALITY OF THE PERFORMANCE INDICATORS

The performance indicators of the Scheme are categorised into two levels, namely, performance evaluation at the Company level and performance evaluation at the individual level.

The performance evaluation indicator at the Company level is the net profit growth rate attributable to the owners of the parent company. This indicator reflects the Company's future profitability and represents an important indicator for the measurement of an enterprise's operating efficiency, and it could establish a good image in the capital market. After a reasonable forecast with consideration of the incentive effect of the Scheme, the Company set a target for the incentive scheme that the net profit growth rate attributable to owners of the parent company for 2021-2023 shall increase by no less than 30%, 60% and 90%, respectively, as compared with the growth rate for 2020.

Other than the performance evaluation at the Company level, the Company also established a strict performance evaluation system for individuals, which can lead to a more accurate and comprehensive evaluation of the performance of the Participants. The Company will determine whether the Participants have reached the Unlocking Conditions based on their performance evaluation results of the last year.

In conclusion, the evaluation system of the Scheme of the Company is all-rounded, comprehensive and feasible, the performance indicators of which are scientific and rational, not only bringing restraints on the Participants but also meeting the evaluation purpose of the Scheme.

VII. METHODS AND PROCEDURES FOR ADJUSTMENT TO THE SCHEME

ADJUSTMENT METHOD FOR THE NUMBER OF RESTRICTED SHARES

In the event of capitalisation of capital reserves, bonus issue, share subdivision, rights issue or share consolidation of the Company on and after the announcement of the Scheme and prior to the registration of the Restricted Shares by Participants, the number of Restricted Shares shall be adjusted accordingly. The adjustment methods are as follows:

1. *Capitalisation of capital reserves, bonus issue, share subdivision*

$$Q = Q_0 \times (1 + n)$$

Where: Q_0 represents the number of the Restricted Shares prior to adjustment; n represents the ratio of increase per share resulting from capitalisation of capital reserves, bonus issue or share subdivision (i.e. the number of increased share(s) per share upon capitalisation of capital reserves, bonus issue or share subdivision); and Q represents the number of the Restricted Shares after adjustment.

2. *Rights issue*

$$Q = Q_0 \times P_1 \times (1 + n) \div (P_1 + P_2 \times n)$$

Where: Q_0 represents the number of the Restricted Shares prior to adjustment; P_1 represents the closing price of the equity on the record date; P_2 represents the subscription price in respect of rights issue; n represents the ratio of rights issue (i.e. the ratio of the number of shares to be issued under rights issue to the total share capital of the Company prior to rights issue); and Q represents the number of the Restricted Shares after adjustment.

3. *Share consolidation*

$$Q = Q_0 \times n$$

Where: Q_0 represents the number of the Restricted Shares prior to adjustment; n represents the ratio of share consolidation (i.e. one share of the Company being consolidated into n shares); and Q represents the number of the Restricted Shares after adjustment.

4. *Dividend distribution, issue of new Shares*

In the event of dividend distribution or issue of new Shares by the Company, the number of the Restricted Shares will not be adjusted.

ADJUSTMENT METHODS FOR THE GRANT PRICE OF THE RESTRICTED SHARES

In the event of dividend distribution, capitalisation of capital reserves, bonus issue, share subdivision, rights issue or share consolidation of the Company on and after the announcement of the Scheme and prior to the registration of the Restricted Shares by Participants, the Grant Price of the Restricted Shares shall be adjusted accordingly. The adjustment methods are as follows:

1. *Capitalisation of capital reserves, bonus issue, share subdivision*

$$P = P_0 \div (1 + n)$$

Where: P_0 represents the Grant Price prior to adjustment; n represents the ratio of increase per share resulting from the capitalisation of capital reserves, bonus issue or share subdivision; and P represents the Grant Price after adjustment.

2. *Rights issue*

$$P = P_0 \times (P_1 + P_2) \times n \div [P_1 \times (1 + n)]$$

Where: P_0 represents the Grant Price prior to adjustment; P_1 represents the closing price of the equity on the record date; P_2 represents the subscription price in respect of rights issue; n represents the ratio of rights issue (i.e. the ratio of the number of shares to be issued under rights issue to the total share capital of the Company prior to rights issue); and P represents the Grant Price after adjustment.

3. *Share Consolidation*

$$P = P_0 \div n$$

Where: P_0 represents the Grant Price prior to adjustment; n represents the ratio of share consolidation; and P represents the Grant Price after adjustment.

4. *Dividend distribution*

$$P = P_0 - V$$

Where: P_0 represents the Grant Price prior to adjustment; V represents the dividend per share; and P represents the Grant Price after adjustment. After the adjustment of dividend distribution, P shall remain greater than 1.

5. *Issue of new Shares*

In the event of issue of new Shares by the Company, the Grant Price of the Restricted Shares will not be adjusted.

PROCEDURES FOR ADJUSTMENTS TO THE RESTRICTED SHARES

The general meeting of the Company authorises the Board of the Company to make adjustments to the number and Grant Price of the Restricted Shares based on the reasons listed in the Scheme. The Board shall make timely announcements and inform the Participants after adjustments to the number and Grant Price of the Restricted Shares. The Company shall engage law firms to issue professional advice to the Board regarding whether such adjustments are in compliance with requirements under the Administrative Measures, the Articles of Association and the Scheme.

VIII. ACCOUNTING METHODS FOR THE RESTRICTED SHARES

ACCOUNTING METHODS

In accordance with the requirements of the “Accounting Standards for Enterprises No. 11 – Share-based Payments” and “Accounting Standards for Enterprises No. 22 – Recognition and Measurement of Financial Instruments”, on each balance sheet date during the Lock-up Period, the Company will amend the number of the Restricted Shares that are expected to be qualified for unlocking based on latest available follow-up information such as the changes in the number of people qualified for unlocking and the fulfilment of performance indicators, and account for the services received during the current period in relevant costs or expenses and capital reserves based on the fair value on the Date of Grant of the Restricted Shares.

(I) Date of Grant

Share capital and capital reserves are recognised based on the grant of Shares to the Participants by the Company.

(II) Each balance sheet date during the blackout period

In accordance with the requirements under accounting standards, at each balance sheet date during the blackout period, based on the best estimate on the number of the Restricted Shares qualified for unlocking and by reference to the fair value of the equity instruments on the Date of Grant, the services received from employees are accounted for in costs and expenses, and the equity or liabilities attributable to owners are also recognised.

(III) Unlocking Date

At the Unlocking Date, after fulfilling the Unlocking Conditions, unlocking takes place by carrying forward the capital reserves (or other capital reserves) recognised at each balance sheet date before the Unlocking Date. If all or part of the shares are lapsed or cancelled due to failure in unlocking, they shall be disposed of in accordance with accounting standards and relevant requirements.

EXPECTED IMPACT FROM THE IMPLEMENTATION OF THE RESTRICTED SHARES ON THE OPERATING RESULTS OF EACH PERIOD

In accordance with the relevant requirements of the “Accounting Standards for Enterprises No. 11 – Share-based Payments” and “Accounting Standards for Enterprises No. 22 – Recognition and Measurement of Financial Instruments”, the Company measures the fair value of the Restricted Shares based on the market prices of the Shares. At the Measurement Date, the fair value of share-based payment per Restricted Share = the market price of the Share of the Company – the Grant Price.

Assuming the measurement was based on the data as at 16 April 2021, the fair value of share-based payment per Restricted Share granted to Participants by the Company shall be RMB5.85 per Share, and the total expenses that would have been recognised in respect of the grant of the Restricted Shares is estimated to be RMB247.455 million. The grant of Restricted Shares is assumed to be completed by the end of June 2021.

Total expenses, as incentive costs in relation to the Equity Incentive Scheme of the Company, will be recognised by stage on the basis of vesting percentage during the implementation of the Scheme and expensed in operating profit or loss, the details of which are listed in the table below:

Year	2021	2022	2023	2024	Total
Expenses to be amortised (RMB0'000)	8,042.29	11,135.48	4,330.46	1,237.28	24,745.50

Notes:

1. The results above do not represent the final costs in accounting. The actual costs are associated with the actual Grant Price, the Date of Grant, the closing price on the Date of Grant, the number of grant, and the best estimate on the number of equity instruments that can be vested, and the possible dilutive effects are brought to the attention of Shareholders.
2. The ultimate impact on the operating results of the Company shall rest on the annual audit report to be issued by the accounting firm.

In accordance with the Company's preliminary estimates based on currently available information, without taking into account the stimulating effect from the incentive scheme on the results of the Company, the amortisation of the expenses in relation to the Restricted Shares affected the net profit of each year during the validity period of the Scheme, though not significantly.

Considering the positive impact that the Restricted Shares Incentive Scheme would bring about to the development of the Company, including prompting the enthusiasm of the management team, improving the operating efficiency and reducing the operating cost, the enhancement in performance of the Company brought by the Scheme will far exceed the cost of the Scheme.

IX. PROCEDURES OF IMPLEMENTATION, GRANT AND UNLOCKING OF THE RESTRICTED SHARES INCENTIVE SCHEME

PROCEDURES OF IMPLEMENTATION OF THE SCHEME

1. The Remuneration and Assessment Committee of the Board shall draft the Draft Scheme and the Performance Evaluation Measures, and submit them to the Board for consideration;
2. The Board shall review and approve the Draft Scheme for which the Directors who are proposed to be the Participants or related to any of them shall abstain from voting. After the Board has reviewed and approved the Scheme and perform the public announcement procedure, it shall propose the Scheme to the general meeting for review; at the same time, it shall propose to the general meeting to authorize the Board of the Company to implement the grant, unlocking and repurchase for cancellation of the Restricted Shares;
3. The independent Directors and the Board of Supervisors shall issue opinions as to whether the Scheme is beneficial to the sustainable development of the Company or is detrimental to the interests of the Company and the Shareholders as a whole;
4. The Scheme shall be reviewed and approved by the general meeting prior to its implementation. Before convening the general meeting, the Company shall publish the names and positions of the Participants internally on the Company's website or through other means for a period of not less than 10 days. The Board of Supervisors shall verify the list of Participants and thoroughly consider the opinions from the public. The Company shall disclose the explanation of review and disclosure of the list of the Participants by the Board of Supervisors 5 days before the Equity Incentive Scheme is considered at the general meeting;
5. The Company shall carry out a self-inquiry on the trading of Shares and derivatives of the Company by insiders during the six months' period prior to the announcement of the draft Equity Incentive Scheme to examine whether the behavior of insider trading exists;
6. The Company will provide the options of voting on site or via the Internet when the Scheme is reviewed at the general meeting. The terms of the Equity Incentive Scheme shall be voted at the general meeting, and be approved by more than two-thirds of the attending Shareholders with voting rights. Except for the Directors, Supervisors and senior management of the Company, as well as the Shareholders individually or collectively holding more than 5% of the Company's Shares, the voting by other Shareholders shall be separately counted and disclosed. The Shareholders who are the proposed Participants or related to any of them shall abstain from voting;

7. The Company shall grant the Restricted Shares to the Participants within the prescribed time upon approval of the Restricted Shares Scheme at the general meeting of the Company and the fulfilment of conditions of grant stipulated under the Scheme. The Board shall be responsible for handling matters in relation to the grant, unlocking and repurchase of the Restricted Shares in accordance with the mandate granted at the general meeting.

PROCEDURES OF GRANTING THE RESTRICTED SHARES

1. The Board shall confirm and publish the Date of Grant after the Scheme has been considered and approved at the general meeting and conditions of the Grant have been satisfied. The Board shall consider if the conditions of the grant of Participants set out in the Equity Incentive Scheme have been satisfied, and the independent Directors and the Board of Supervisors shall simultaneously issue clear opinions thereon. A law firm shall issue legal opinion on whether the conditions of the grant have been satisfied by the Participants. The Board of Supervisors shall check the list of Participants as at the Date of Grant of the Restricted Shares and express opinions;
2. The Company shall complete the relevant procedures such as the grant of the equity interests, registration and announcement within 60 days after the Scheme has been reviewed and approved at the general meeting and conditions of the grant have been satisfied. The Date of Grant shall be a trading day. After the completion of registration of the Restricted Shares granted, the Board of the Company shall disclose the implementation status thereof timely by way of announcement. If the Company fails to complete those procedures mentioned above within 60 days, the Scheme shall be terminated, and the Board shall timely disclose the reasons for such failure, and shall not be allowed to review an Equity Incentive Scheme in the following three months;
3. In case of discrepancy between the equity interests granted to the Participants by the Company and the arrangement under the Scheme, the independent Directors, the Board of Supervisors (where there is a change of the Participants) and the law firm shall simultaneously issue clear opinions thereon;
4. The Scheme shall be implemented upon review and approval at the general meeting, and the Board of the Company shall enter into the Restricted Shares Grant Agreement with the Participants pursuant to the Scheme respectively, under which the rights and obligations of both parties are agreed. The Board of the Company will handle the grant of the Restricted Shares in accordance with the mandate granted at the general meeting;
5. The Company shall make an application to the stock exchange before the Restricted Shares are granted, and securities registration and clearing institution will conduct the registration procedure thereof upon confirmation by such stock exchange.

UNLOCKING PROCEDURES OF THE RESTRICTED SHARES

1. The Company shall confirm whether the Unlocking Conditions have been satisfied by the Participants prior to the Unlocking Date. The Board shall consider whether the Unlocking Conditions set out in the Scheme have been fulfilled and the independent Directors and the Board of Supervisors shall simultaneously issue clear opinions thereon. A law firm shall issue legal opinion as to whether the Unlocking Conditions have been fulfilled by the Participants.
2. As to the Participants who have satisfied the Unlocking Conditions, the Company shall solely handle the matters related to the unlocking. As to the Participants who have not satisfied the conditions, the Company shall repurchase and cancel such Restricted Shares as held by them subject to the unlocking;
3. Participants can transfer the unlocked Restricted Shares. However, the transfer of the Shares held by Directors and senior management of the Company shall subject to the relevant laws, regulations and requirements under regulatory documents.

PROCEDURES FOR AMENDMENTS TO THE SCHEME

1. If the Company proposes to amend the Scheme prior to the review of the Scheme at the general meeting, such amendments shall be reviewed and approved by the Board.
2. If the Company proposes to amend the Scheme after the review and approval of the Scheme at the general meeting, such amendments shall be reviewed and decided at the general meeting, and the circumstances set out below shall not be included:
 - (1) that will result in the unlocking in advance;
 - (2) that will lower the Grant Price.
3. The independent Directors and the Board of Supervisors shall express independent opinions as to whether the amendments are conducive to the sustainable development of a listed company, or are significantly detrimental to the interests of the listed company and the Shareholders as a whole. A law firm shall issue professional opinions as to whether the amendments to the Scheme are in compliance with the requirements of the Measures and the relevant laws and regulations, or are significantly detrimental to the interests of the listed company and the Shareholders as a whole.

PROCEDURES FOR TERMINATION OF THE SCHEME

1. If the Company proposes to terminate the Scheme prior to the review of the Scheme at the general meeting, such termination shall be reviewed and approved by the Board.
2. If the Company proposes to terminate the Scheme after the review and approval of the Scheme at the general meeting, such termination shall be considered and determined at the general meeting.

If a general meeting of the Company or the Board has reviewed and passed a resolution to terminate the Equity Incentive Scheme, they shall not be allowed to review again within three months from the date of the announcement of the resolution;

3. A law firm shall issue professional opinions as to whether the termination of the Scheme by the Company is in compliance with the requirements of the Administrative Measures and the relevant laws and regulations, or is significantly detrimental to the interests of the Company and the Shareholders as a whole.

X THE RESPECTIVE RIGHTS AND OBLIGATIONS OF THE COMPANY AND THE PARTICIPANTS

Rights and Obligations of the Company

1. The Company has the power of interpretation and execution in respect of the Scheme. It will assess the performance of the Participants and supervise and review whether the Participants continue to be qualified for unlocking. If a Participant fails to fulfill the Unlocking Conditions as set out in the Scheme, the Company will repurchase and cancel the Restricted Shares that have not been unlocked by the Participant in accordance with the principles under the Scheme.
2. If a Participant breaches his/her obligations of loyalty under the Company Law, the Articles of Association and others, or impairs the interests and reputation of the Company due to breach of laws, violation of professional ethics, leak of confidential information of the Company, breach of duty or malfeasance, the Company shall cancel the Restricted Shares that have not been unlocked; if the breach is serious, the Board of the Company shall have the right to recover all or part of gains derived from the unlocked Restricted Shares.
3. The Company undertakes not to provide loans and financial assistance in any other form, including providing guarantee for loans, to the Participants in acquiring relevant Restricted Shares under the Scheme.

4. The Company shall fulfill its taxation obligations in relation to the Scheme in accordance with the requirements under national tax laws or regulations.
5. The Company shall discharge its obligations in a timely manner in relation to reporting and information disclosure under the Scheme in accordance with relevant requirements, and shall undertake that the contents of relevant information disclosure documents regarding the Equity Incentive Scheme do not contain any false record, misleading statement or material omission.
6. The Company shall actively support the Participants who have fulfilled the Unlocking Conditions to unlock their Restricted Shares in accordance with relevant requirements including those under the Equity Incentive Scheme, the stock exchange, the CSDC and others. However, the Company disclaims any liability for any loss suffered by a Participant arising from his/her inability to unlock due to reasons relating to the stock exchange or the CSDC.
7. The Company's determination of the Participants of the Scheme does not mean that they have the right to continue to serve the Company, nor does it constitute a commitment by the Company on staff employment duration. The employment relationship between the Company and the employees will remain in compliance with the labor contracts or employment contracts signed with the Participants.
8. Other relevant rights and obligations as stipulated by laws and regulations.

Rights and Obligations of the Participants

1. A Participant shall comply with the requirements under his/her position as stipulated by the Company, and shall work diligently and responsibly, strictly observe professional ethics, and make contribution to the development of the Company.
2. A Participant shall lock up the Restricted Shares granted to her/she in accordance with the requirements under the Scheme.
3. A Participant shall raise his/her own funds as the source of capital.
4. The Restricted Shares granted to a Participant shall, after registration with the CSDC, be entitled to the rights attaching to his/her Shares, including but not limited to the rights to dividend, rights issue and voting. Before the unlocking of the Restricted Shares, the Restricted Shares (including share dividend arising from such Restricted Shares) granted to the Participants in accordance with the Scheme shall be locked up. The Shares shall not be transferred nor used as a guarantee or repayment of indebtedness.

5. In the event of the distribution of cash dividend by the Company, the cash dividend attributable to a Participant in respect of his/her Restricted Shares granted shall vest in him/her after the withholding and payment of income tax. If he/she fails to unlock such Restricted Shares, the Company shall deduct such portion of the cash dividend to which the Participant is entitled when repurchasing such Restricted Shares in accordance with the requirements under the Scheme, and make accounting treatment accordingly.
6. A Participant shall pay his/her income tax and other levies for the gains from the Incentive Scheme in accordance with national tax laws or regulations.
7. The Participants undertake that, in case of disqualification for the grant of interests or the arrangement on the exercise of interest due to false records, misleading statements or material omissions in the Company's information disclosure documents, the Participants shall, after the confirmation of the false record, misleading statement or material omission in relevant information disclosure documents, return all the gains from the Equity Incentive Scheme to the Company.
8. Other relevant rights and obligations as stipulated by laws and regulations.

XI MECHANISM FOR SPECIFIC OCCURRENCES TO THE COMPANY AND THE PARTICIPANTS

Mechanism for Specific Occurrences to the Company

1. On occurrence of any of the following circumstances to the Company, the Scheme shall be terminated immediately:
 - (1) a certified public accountant issues an audit report containing an adverse opinion or a qualified opinion on the financial and accounting report for the most recent accounting year;
 - (2) a certified public accountant issues an audit report containing an adverse opinion or a qualified opinion on the internal control of financial reporting for the most recent accounting year;
 - (3) failure to conduct profit distribution in accordance with laws and regulations, the Articles of Association, and public undertakings in the past 36 months;

- (4) a circumstance where equity incentives shall not be granted under laws and regulations; and
- (5) other circumstances where the Scheme shall be terminated as determined by the CSRC.

Upon the occurrence of the above circumstances in the Company where the Scheme shall be terminated, the Restricted Shares granted but not yet unlocked by the Participants shall not be unlocked, and all shall be repurchased and cancelled by the Company at a repurchase price calculated as the Grant Price plus the interest based on the deposit interest rate for the same period issued by the People's Bank of China. In case of individual liability being involved, the share repurchase price paid to the participant shall be the Grant Price.

- 2. On occurrence of any of the following circumstances to the Company, the Scheme shall proceed as usual:
 - (1) a change of control of the Company; and
 - (2) a merger and spin-off of the Company.
- 3. Where the false record, misleading statement or material omission in the information disclosure documents of the Company resulted in non-compliance with the conditions of the grant of the Restricted Shares or the arrangement for the unlocking of the Restricted Shares, all lock-up Restricted Shares shall be repurchased and cancelled solely by the Company. In respect of the Restricted Shares already be unlocked by the Participants, all the Participants concerned shall return all gains received to the Company. The Participants who bear no responsibility for the aforesaid matters and incur losses as a result of the return of interest may seek compensation from the Company or responsible parties in accordance with relevant arrangements under the Scheme.

Mechanism for Specific Occurrences to the Participants

- 1. During the Validity Period of the Scheme, the Restricted Shares granted but yet to unlock shall be repurchased and cancelled by the Company, with the Grant Price as the repurchase price and no interest for the same period being paid. As for the Restricted Shares which have been unlocked, the Participants shall be required to return all the gains received from the equity incentive to the Company, if one of the following circumstances occurs,
 - (1) he/she has been declared as an inappropriate candidate by the stock exchange in the past 12 months;
 - (2) he/she has been declared as an inappropriate candidate by the CSRC and its local bureaus in the past 12 months;

- (3) he/she has been imposed with administrative penalties or prohibited from market entry by the CSRC and its local bureaus in the past 12 months due to material violations of laws and regulations;
 - (4) he/she has been prohibited from serving as a Director or a member of the senior management of the Company under the Company Law;
 - (5) during his/her term of office, the Participant is engaged in illegal acts which have caused damage to the Company, including bribery, corruption, theft, leak of the Company's operation and trade secrets or engagement in related party transactions which have caused damage to the Company's benefit and reputation, as well as illegal acts which have material negative impact to the Company;
 - (6) violation of relevant national laws and regulations and the Articles of Association of the Company;
 - (7) other circumstances in which participation in the equity incentives of listed companies is prohibited by laws and regulations or by the CSRC;
 - (8) the Participant has not engaged in discussion with the Company and discharges or terminates the labour relationship or employment relationship with the Company and/or its subsidiary(ies), including but not limited to circumstances such as resignation with no legitimate reasons;
 - (9) the Participant's labour relationship and employment relationship has been terminated due to the Participant's fault, violation of disciplines or illegal behaviours.
2. If a Participant discharges or terminates the labour relationship or employment relationship with the Company or its subsidiary(ies) due to objective reasons such as job transfer, retirement, death or loss of civil capacity, the Restricted Shares granted which have satisfied the Unlocking Conditions for the current year shall be unlocked within six months from the date of cessation of service and the part that has not been unlocked for more than 6 months shall be repurchased or cancelled by the Company. For the Restricted Shares which have not satisfied the Unlocking Conditions shall not be unlocked and shall be repurchased or cancelled by the Company. The repurchase price is the sum of the Grant Price plus the interest calculated based on the deposit interest rate for the same period as announced by the People's Bank of China.

The Restricted Shares can be unlocked according to the above provisions by their successor(s) in the event of the death of Participants.

3. If the Participants become those who cannot hold the Company's Restricted Shares, such as independent Directors or Supervisors, the Restricted Shares granted but yet to unlock shall not be unlocked, and shall be repurchased or cancelled by the Company with the Grant Price as the repurchase price.
4. In case of a change of the position of the Participant, and he/she remains as the management and key business personnel of the Company after such change, his/her Restricted Shares available for unlocking will be reassessed according to the corresponding criteria of his/her new position, and any Restricted Shares reduced will be repurchased and cancelled by the Company. If the Participant becomes unqualified for participating in the Scheme after such change of position, the unlocked Restricted Shares shall maintain effective, while those granted but yet to unlock will be repurchased and cancelled by the Company. The repurchase price is the sum of the Grant Price plus the bank deposit interest for the same period.
5. If the Participant cannot report his or her duty as usual within a full evaluation period for personal reasons (excluding annual leave), the number of Restricted Shares available for unlocking will be on par with the actual period in which the Participant has been on duty, or all of the Restricted Shares for the current period will be cancelled.
6. Other unspecified circumstances and ways of handling such circumstances as determined by the Remuneration and Assessment Committee of the Board.

XII PRINCIPLES OF REPURCHASE AND CANCELLATION OF RESTRICTED SHARES

Adjustment Method for Repurchase Price

In the event of capitalization of capital reserves, bonus issue, share subdivision, rights issue or share consolidation of the Company after completion of the share registration of the Restricted Shares granted to Participant, adjustment shall be made by the Company to the repurchase price of the unlocked Restricted Shares accordingly. The adjustment methods are as follows:

1. *Capitalization of capital reserves, bonus issue, share subdivision*

$$P = P_0 \div (1 + n)$$

Where: P represents the repurchase price per Restricted Share after the adjustment; P_0 represents the Grant Price per Restricted Share; and n represents the ratio of increase per share resulting from the capitalization of capital reserves, bonus issue or share subdivision (i.e. the number of increased share(s) per share upon capitalization of capital reserves, bonus issue or share subdivision).

2. *Rights issue*

$$P = P_0 \times (P_1 (P_2 \times n) / [P_1 \times (1 + n)])$$

Where: P represents the repurchase price per Restricted Share after the adjustment; P_0 represents the Grant Price per Restricted Share; P_1 represents the closing price of the equity on the record date; P_2 represents the subscription price in respect of rights issue; and n represents the ratio of rights issue (i.e. the ratio of the number of shares to be issued under rights issue to the total share capital of the Company prior to rights issue).

3. *Share consolidation*

$$P = P_0 \div n$$

Where: P represents the repurchase price per Restricted Share after the adjustment; P_0 represents the Grant Price per Restricted Share; and n represents the ratio of share consolidation (i.e. one share of the Company being consolidated into n shares).

4. *Dividend distribution*

$$P = P_0 - V$$

Where: P represents the Repurchase Price per Restricted Share after the adjustment; P_0 represents the Grant Price per Restricted Share; and V represents the dividend per share. After the adjustment of dividend distribution, P shall remain greater than 1.

In the event of any public placement or private placement by the Company after the Date of Grant, the Restricted Shares shall be repurchased and cancellation pursuant to the provisions of the Scheme, no adjustment will be made to the Repurchase Price.

Procedures of Adjustments to the Repurchase Price

1. The general meeting of the Company shall authorize the Board of the Company to adjust the repurchase price of the Restricted Shares based on the reasons above. The Board shall make timely announcement after making adjustment to the repurchase price of the Restricted Shares in accordance with the abovementioned provisions.
2. Any adjustment made to the repurchase price of the Restricted Shares for other reasons shall be subject to resolution of the Board and approval at the general meeting.

Procedures of Repurchase and Cancellation

The repurchase by the Company under the provisions of the Scheme shall be implemented through convening a Board meeting to consider the repurchase proposal in a timely manner and putting forward the proposal to the general meeting for approval before announcement. The repurchase by the Company under the provisions of the Scheme shall be implemented in accordance with the requirements under Company Law. When making a repurchase, the Company shall apply to the stock exchange and after confirmation by the stock exchange, relevant registration and settlement procedure will be conducted by CSDC.

INFORMATION OF THE COMPANY

The Company is principally engaged in the manufacturing and sales of automotive components and hydraulic roof supports and related components for comprehensive coal mining and excavation and provision of related services. Products of the Company are manufactured according to sales orders and tailor-made to suit customers' specific requirements. Research and development, design, procurement, production and sales of the major products of the Company are all completed internally.

REASONS FOR AND BENEFITS OF THE ADOPTION OF THE 2021 RESTRICTED SHARE INCENTIVE SCHEME

Implementation of the Scheme is conducive to further improving the corporate governance structure and incentive mechanism of the Company, enhance the sense of responsibility and mission of the Company's management team for achieving sustainable and sound development of the Company and ensure the realisation of its development goals. Hence, the Company has prepared the Scheme pursuant to relevant laws, regulations and administrative and regulatory documents such as the Company Law, the Securities Law and the Administrative Measures as well as the relevant provisions of the Articles of Association.

IMPLICATIONS OF THE LISTING RULES

The 2021 Restricted Share Incentive Scheme does not constitute a share option scheme under Chapter 17 of the Listing Rules. Given that the Restricted Shares are to be granted to the connected persons of the Company under the 2021 Restricted Share Incentive Scheme, the Scheme constitutes a non-exempt connected transaction of the Company, which is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company will establish an Independent Board Committee to offer its view to independent Shareholders in relation to the grant of the Restricted Shares to the Participants that are connected persons of the Company. The Company will also appoint an independent financial advisor to advise the Independent Board Committee and independent Shareholders on the grant of the Restricted Shares to the Participants that are connected persons of the Company.

SHAREHOLDERS' GENERAL MEETING, CLASS MEETINGS AND CIRCULAR

The Company will convene its Annual General Meeting, A Shareholders Class Meeting and H Shareholders Class Meeting, for the Shareholders to consider and, if through fit, to approve (amongst others) the proposed adoption of the 2021 Restricted Share Incentive Scheme and the grant of the Restricted Shares to the connected persons of the Company. The Company plans to convene its Annual General Meeting in June 2021. Upon determination of the dates of convening the Annual General Meeting and the class meetings, a circular containing (amongst others) (i) the terms of the 2021 Restricted Share Incentive Scheme; (ii) a letter from the independent financial advisor to the Independent Board Committee and independent Shareholders of the Company, which contains the views of the independent financial advisor regarding the Company's proposed plan of granting the Restricted Shares to the Participants that are connected persons; (iii) the recommendations by the Independent Board Committee regarding whether to approve the proposed plan of granting the Restricted Shares to the Participants that are connected persons; and (iv) the notices of the Annual General Meeting and the H Shareholders Class Meeting of the Company, will be despatched to the Shareholders as soon as practicable. Due to the time required for finalising certain information to be included therein, the circular will be despatched later than 15 business days after the publication of this announcement.

DEFINITIONS

In this announcement, the following expressions shall have the following meanings unless the context otherwise requires:

“A Share(s)”	the domestic ordinary shares issued by the Company at par value of RMB1.00 each for subscription by domestic investors, which are traded on the Shanghai Stock Exchange (stock code: 601717)
“Administrative Measures”	the Administrative Measures for Equity Incentives of Listed Companies
“Articles of Association”	the articles of association of Zhengzhou Coal Mining Machinery Group Company Limited
“Board”	the board of directors of the Company
“Company”	Zhengzhou Coal Mining Machinery Group Company Limited (鄭州煤礦機械集團股份有限公司), a joint stock limited company incorporated in the PRC with limited liability, the shares of which are listed on the main board of the Stock Exchange and the Shanghai Stock Exchange (stock code: 0564.HK and 601717.SH)
“Company Law”	the Company Law of the People's Republic of China
“connected person(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“CSDC”	the Shanghai Branch of China Securities Depository and Clearing Corporation Limited

“CSRC”	China Securities Regulatory Commission
“Director(s)”	the directors of the Company
“H Share(s)”	the overseas-listed foreign shares in the share capital of the Company with par value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange (stock code: 00564) and subscribed in Hong Kong dollars
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	a committee comprising all independent non-executive Directors, so as to offer its view to independent Shareholders in relation to the plan of granting the Restricted Shares to the Participants who are connected persons
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China which, for the purpose of this announcement only, excludes Hong Kong, the Macau Special Administrative Region and Taiwan Region
“RMB”	Renminbi, the lawful currency of the PRC
“Scheme”	the 2021 restricted share incentive scheme of the Company (draft)
“Securities Law”	the Securities Law of the People’s Republic of China
“Share(s)”	A Shares and H Shares
“Shareholder(s)”	the holder(s) of Share(s)
“%”	per cent

By order of the Board
Zhengzhou Coal Mining Machinery Group Company Limited
JIAO Chengyao
Chairman

Zhengzhou, PRC, 18 April 2021

As at the date of this announcement, the executive Directors of the Company are Mr. JIAO Chengyao, Mr. XIANG Jiayu, Mr. JIA Hao, Mr. FU Zugang and Mr. WANG Xinying, the non-executive Directors are Mr. CUI Kai and Mr. YANG Dongsheng and the independent non-executive Directors are Mr. CHENG Jinglei, Mr. JI Feng, Ms. GUO Wenqing and Mr. FANG Yuan.